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March 22, 2002

Chairman Michael K. Powell
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

**Re: *Ex Parte* Letter from the Official Creditors Committee of Globalstar, L.P.
IB Docket No. 01-185, ET Docket No. 95-18**

Dear Chairman Powell:

The Official Creditors Committee of Globalstar, L.P. ("Creditors")¹ urges the Federal Communications Commission ("Commission") to adopt their proposal to permit Mobile-Satellite Service ("MSS") licensees in certain frequency bands to operate ancillary terrestrial components ("ATCs"). Specifically, the Creditors strongly urge the Commission to authorize MSS licensees to reuse their assigned MSS spectrum to operate ATCs that are integrated with the licensees' satellite networks.

As a potential alternative to its ATC proposal, the Commission requested comment on whether it is feasible to separately license the terrestrial use of MSS spectrum to non-MSS licensees. On March 6, 2002, the Commission requested further comment on certain technical issues related to the feasibility of "severing" from MSS licenses terrestrial authorization to reuse MSS spectrum. Although this *ex parte* letter discusses several issues related to questions asked by the Commission in its March 6 public notice, this letter does not provide significant technical analysis and is not intended to be a response to the public notice. Rather, the letter is intended to express the Creditors' position that it is not feasible from an operational perspective for Globalstar, L.P. ("Globalstar") to offer an integrated terrestrial-MSS network in conjunction with a separately controlled licensee of terrestrial rights to Globalstar's MSS spectrum.

¹ The Creditors formally represent the interests of the Unofficial Bondholders Committee of Globalstar, L.P. ("Bondholders"), which filed comments and reply comments in this proceeding, as well as all other Globalstar creditors. In the aggregate, the Creditors represent approximately \$3.5 billion of Globalstar debt and liabilities. The Creditors endorse the positions that have been taken in this proceeding thus far by the Bondholders.

The Commission Should Not Sever Terrestrial Authority From the Underlying MSS Licenses

For the reasons listed below, the Commission should not adopt its alternative proposal to sever and separately license authority to utilize MSS spectrum terrestrially (the “Alternative”). Instead, the Commission should grant ATC authority to the existing MSS licensees.

1. The Alternative would offer no improvement over the current, unsatisfactory dual-mode MSS/cellular regime, which is unattractive to potential subscribers.
2. By definition, terrestrial authority cannot be “ancillary” to MSS licenses unless the terrestrial authority is available exclusively to existing MSS licensees.
3. The Alternative is not feasible from an operational standpoint because it creates a host of operational support system problems, including numbering, billing, and roaming.
4. The Alternative would prevent the development of a viable economic model for the sustainability of the MSS industry, and would keep the cost of service high and subscriber population small.
5. The Alternative raises additional, and potentially ruinous, concerns regarding interference between a separately controlled terrestrial network and an MSS network operating in the same or adjacent bands.
6. The Alternative is spectrally inefficient because frequency channels cannot be shared between separately controlled terrestrial and satellite platforms in a defined geographic area.
7. The Alternative would retard the development of a reliable, ubiquitous, primary or back-up satellite-based public safety and emergency response system.
8. The Alternative will not promote the expansion of voice and data communications access for rural consumers.
9. If the Commission adopts the Alternative, it is unlikely that Globalstar will be able to raise the capital necessary to deploy a second generation MSS constellation.
10. The Alternative would violate the ORBIT Act and constitute an uncompensated revocation of spectrum.
11. The Alternative is inconsistent with the Commission’s flexible use policy, which is aimed at promoting innovative and efficient uses of spectrum to ensure that the United States’ limited spectrum resources are put to their highest and best use.
12. Because it fails to provide sufficient financial incentives to promote and achieve robust communications redundancy, the Alternative is inconsistent with national security interests.
13. The Alternative is not in the public interest for the aforementioned reasons.

Globalstar's Experience Combining Separately Controlled Cellular and MSS Services Demonstrates that ATC Authority Should Be Granted Only to MSS Licensees

Globalstar's dual-mode MSS/cellular phones are operationally similar to the "severed spectrum" Alternative, in that Globalstar relies on unaffiliated and separately controlled companies to provide the terrestrial component of Globalstar's current service. This approach has not proved popular with, or useful to, subscribers. Segregation of Globalstar's existing MSS spectrum assignment into a satellite segment and a separately licensed terrestrial segment will result in all of the same operational shortcomings that plague Globalstar's existing commercial arrangements with terrestrial wireless providers. As explained by the Bondholders in their comments and reply comments in this proceeding, Globalstar's experience to date offering dual-mode service in conjunction with separately controlled terrestrial providers clearly demonstrates that this is not a satisfactory solution to the satellite signal attenuation problems of MSS indoors and in urban areas. The Commission should consider Globalstar to be its "crash test dummy" in that Globalstar offers the only real-world test of the efficacy of the Alternative, and this test has demonstrated that it simply does not work.

Practically and economically, terrestrial and MSS operations must be fully integrated and under unified control for MSS providers to benefit from Commission grant of ATC authority. Wireless carriers have their own, successful business models that do not depend on MSS. Simply dealing with an MSS company represents an inefficient expenditure of management resources for wireless providers, given how small the potential MSS market is compared to the terrestrial cellular market. Further, cellular carriers gain no marginal revenue from the satellite minutes used by Globalstar subscribers, and the number of terrestrial minutes sold per subscriber is not increased by the presence of MSS capability in the handset. The terrestrial operators thus have no incentive to work with MSS carriers to provide a dual-mode service that is simple for the subscriber to use.

This point is reinforced by the wireless carriers' lack of support for Globalstar, in terms of joint marketing efforts and service rollout. Despite Globalstar's efforts, this lack of collaboration between MSS and cellular providers has resulted in a consumer experience that has been unacceptable to most users, for the following reasons, among others:

1. The satellite and terrestrial services have separate telephone numbers.
2. The phones must be configured to prefer either satellite or terrestrial mode and cannot receive calls from one mode when set on the other.
3. Subscribers receive separate bills for terrestrial and satellite service.
4. Subscribers have two points of contact for customer service assistance.

The ORBIT Act Prohibits Auction of MSS Spectrum

If the Commission authorizes non-MSS licensees to obtain terrestrial authority to use previously assigned MSS spectrum, it has proposed to assign such authority via competitive bidding. This is impermissible under the Open-Market Reorganization for the Betterment of International Telecommunications Act, 106 P.L. 180, 114 Stats. 48 ("ORBIT Act").

Under the ORBIT Act:

[n]otwithstanding any other provision of law, the Commission shall not have the authority to assign by competitive bidding orbital locations or spectrum used for the provision of international or global satellite communications services.

47 U.S.C. § 765(f). As explained above, ATC authority must be an indivisible component of an MSS provider's spectrum license in order for MSS licensees to derive any benefit from ATC authority. As a result, pursuant to the ORBIT Act, ATC authority cannot be subject to competitive bidding. There can be no doubt that, under the ORBIT Act, the Commission could not have auctioned MSS Big LEO spectrum to MSS licensees even if the licenses included ATC authority at the time they were issued. Thus, similarly, the Commission cannot now require the licensees to bid to obtain terrestrial rights to use spectrum previously assigned to their international system.

The Commission's Incumbent Relocation Policy Requires Globalstar to be Compensated if the Commission Reduces Globalstar's Spectrum Rights by Granting Terrestrial Authority to Some Entity Other Than Globalstar

Moreover, to the extent that grant of terrestrial authority to non-MSS licensees would reduce the spectrum rights currently held by MSS licensees, the licensing of terrestrial rights represents a revocation of assigned spectrum that is inconsistent with Commission policy. Grant to non-MSS licensees of terrestrial authority to use MSS spectrum is likely either to cause interference to existing MSS licensees or to reduce the MSS licensees' spectrum assignments. Under the Commission's incumbent relocation policy, the Commission requires new licensees to compensate incumbents that are prejudiced by the licensing of the new entrants. Therefore, the Commission cannot grant terrestrial rights to Globalstar's Big LEO spectrum assignment without requiring the new terrestrial licensee to compensate Globalstar accordingly.

ATC Authority is Necessary to Revitalize the MSS Industry

After two years of operations, Globalstar has annual revenues of under \$10 million and has attracted fewer than 70,000 subscribers worldwide. Furthermore, Globalstar is burdened with \$3 billion in debt and is in a Chapter 11 reorganization proceeding. Today, the market value of \$3 billion worth of Globalstar's debt is a mere \$300 million, or roughly ten percent of the estimated replacement cost of Globalstar's satellite system. Based on this unattractive ratio of the cost of replacing Globalstar's constellation to the implied present value of the constellation, it is the Creditors' opinion that, without the added value of full, flexible and integrated ATC, no second generation or other MSS systems will be financed or deployed. The Creditors are not alone in this opinion. In its notification regarding its March 5, 2002 *ex parte* meeting with Commission representatives, ICO Global Communications (Holdings) Limited ("ICO") stated that "Completion of the ICO System awaits further funding, which hinges on timely FCC approval of ICO's ATC petition." Furthermore, in their notification regarding their March 12, 2002 *ex parte* meeting with the representatives of the Commission, Globalstar stated that "ATC authority is the key to increasing the value of the system, and to attracting new investment."

Further, few, if any, technological improvements will be able to be made to Globalstar's existing system. For example, the first generation Globalstar handsets are much larger than they should be given recent improvements in technology. The Creditors believe that the size of Globalstar phones has substantially reduced demand for the phones. The technology now exists to produce smaller, lighter, less expensive MSS/ATC phones. However, without the economic benefits of Commission grant of ATC authority to MSS providers, the MSS industry is not likely to attract new capital for the development of smaller, user-friendly handsets, and to achieve economies of scale from widespread consumer acceptance and usage of the handsets.

Conclusion

The advocates of severing terrestrial authority from the underlying MSS licenses are the same parties who initially opposed the grant of ATC in comments and reply comments that they filed with the Commission last fall. It is the view of the Creditors that their arguments, then and now, ignore the public interest, particularly in light of the tragic events of September 11. Furthermore, we believe that there are no *legitimate* reasons supporting segregation of MSS and terrestrial operations, and there are numerous public interest benefits that can be gained by permitting MSS licensees to *integrate* their MSS operations with *full and flexible* ATC operations.

Since the commencement of operations, Globalstar and its subscribers have been burdened with the operational disadvantages of dual-band terrestrial/MSS handsets. Given all of the limitations surrounding MSS, which have notably constrained Globalstar's subscriber growth and consumer acceptance, ATC and MSS operations must be operated and controlled by the

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same licensee. Globalstar's real-world experience with dual-mode cellular-MSS handsets demonstrates the problems with the Alternative suggested by the Commission and provide overwhelming evidence supporting the integration of MSS and ATC operations.

Respectfully submitted,

/s/ Tom Davidson

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